GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:627
ANSWERED ON:03.12.2004
REFORMS IN BANKING SECTOR
Meghwal Shri Kailash

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has announced more reforms in banking sector;

(b) if so, the details thereof; and

(c) the extent to which it would help in reducing bad debt and competitiveness in global market?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALAMMANICKAM)

(a) to (c); In order to tackle the problems facing banking industry several reform measures have been taken by way of effective legislative measures and new initiatives to make our banks more efficient, viable and of global standards. As a part of legislative measures Govt. has decided to revise or enact the following laws ;-

1. The Banking Regulation Act, 1949 is being amended to validate the banking licences issued by RBI to cooperative societies registered under the Mufti State Cooperative Societies Act and to enable the deposits of small depositors of these Banks to be insured by Deposit Insurance and Credit Guarantee Corporation.

2. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 is being amended in pursuance of Hon`ble Supreme Court`s order to provide defaulting borrowers a fair opportunity to represent their cases and at the same time to dissuade the borrowers from indulging in dilatory tactics so as to postpone repayment of dues.

3. A new legislation on Payment and Settlement Systems is proposed to provide for a legal basis to recognize clearing houses, legal sanction to netting of payments with receipts, finality of settlement, recognition of service providers and participants, clearing mode of payments and to provide explicit powers to RBI to supervise securities clearing and settlement.

4. A Credit Information Companies (Regulation) Law is proposed to provide necessary legislative support to the business of credit information and for regulation of credit information companies.

Further, as a part of new initiatives towards reforms of the banking sector in the country, the Public Sector Banks are seriously evaluating to adopt consolidation as one of the strategies to strengthen themselves.